



COUNTY OF LOS ANGELES
OFFICE OF THE COUNTY COUNSEL

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June 17, 2004

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TO: SUPERVISOR DON KNABE, Chairman
SUPERVISOR GLORIA MOLINA
SUPERVISOR YVONNE BRATHWAITE BURKE
SUPERVISOR ZEV YAROSLAVSKY
SUPERVISOR MICHAEL D. ANTONOVICH

FROM: RAYMOND G. FORTNER, JR.
Chief Deputy County Counsel

RE: **Litigation Cost Manager's Annual Report on Cost Reduction
Measures for 2004-05 (Monday, June 21, 2004, Budget
Deliberations, Item No. 3)**

Attached is the report by the County Counsel Litigation Cost Manager in response to your Board's order for an annual report of projected legal cost savings measures.

In his report, the Litigation Cost Manager identifies a number of measures that have been put in place at his initiative which will enhance our ability to manage the cost of litigation and achieve cost reductions in indemnity payments and legal fees and costs.

The measures he proposes will be utilized beginning this year, but as explained in his report, will provide the most significant measurements after the data is available for three fiscal years.

The Office of the County Counsel is committed to assisting in the timely and accurate assembling of all relevant data so that the measures described in his report will be reliable and meaningful, all in furtherance of the goal of reducing litigation costs to the County.

If you have any questions in this matter, please contact me, Chief Deputy County Counsel Donovan Main at 974-1829, or Litigation Cost Manager Robert Nagle at 974-1822.

RGF:gp

Attachment


c: David E. Janssen
Chief Administrative Officer

Violet Varona-Lukens, Executive Officer
Board of Supervisors

MEMORANDUM

June 16, 2004

TO: RAYMOND G. FORTNER, JR.
Chief Deputy County Counsel

FROM: ROBERT E. NAGLE 
Litigation Cost Manager

RE: **2004/2005 Litigation Cost Manager's Measures for
Litigation Cost Reduction**

MEASURES FOR MONITORING LITIGATION COSTS REDUCTION FOR 2004/2005 FISCAL BUDGET

This memorandum is to respond to the Board of Supervisors' request for measures implemented by the Litigation Cost Manager for fiscal year 2004/2005 to continue to reduce the costs of litigation for the County. Based on my prior experience, actively monitoring the following litigation drivers: case duration, indemnity paid, legal fees paid, and legal expenses paid, has proven to be an effective method of monitoring and reducing overall legal costs rather than setting a dollar or percentage goal of legal expense reduction.

I have two main concerns in my ability to predict future savings regarding litigation cost savings. First, actuarial principles demand a data base of three years cumulative data in order to have a realistic ability to predict future costs and trends. I am accumulating my first year of base line data that will be completed by June 30, 2004. Second, utilizing a straight percentage savings for future reductions in litigation costs is an inexact measurement, particularly where there is not a verified data base of at least three years of data. For example, if the number of law suits were to decline by 10% to 20% next year that alone could account for meeting a significant percentage savings target goal. However, if the number of new law suits increased by 10% to 20% that would also make it very difficult to obtain any savings.

County Counsel has reported to the Board and the CAO a quarterly report for the first, second and third quarters of fiscal year 2003/2004 that measured Los Angeles County's costs of litigation on a quarterly basis. These

reports measured the following drivers involving litigation and allow Department Heads, Risk Management and County Counsel to take remedial measures to attempt to reverse any adverse indicators of negative development of adverse litigation costs:

1) **DURATION:** County Counsel will monitor the length of time it takes from receipt of a law suit until it's resolution. The longer it takes to resolve a case the more opportunity there is for increased legal expenses. Likewise, resolving a case quickly results in significant savings to the County in legal fees and expenses. Each quarter, I will monitor the resolved cases and determine an average duration period. County counsel will commit to work to shortening the time it takes to resolve litigated cases.

2) **INDEMNITY PAID:** County Counsel will monitor the amount of indemnity (settlements, and judgments) paid out on litigated cases each quarter. It will be the goal of County Counsel to reduce the average amount paid out on litigated cases. The cases will be grouped into like/kind categories (such as employment; sexual harassment; civil rights; auto accidents; medical malpractice; public works, etc.) so that the averages of the pay out will have some meaning to the types of cases being evaluated.

3) **LEGAL FEES PAID:** County Counsel will monitor and reduce the average legal fees expended on cases. Law firms handling the same types of litigation will be analyzed and monitored in comparison to each other. Those firms falling significantly out of the averages will be given an opportunity to correct their billing practices, and if they still cannot meet their competition they will receive fewer new cases. Again on a quarterly reporting period, County Counsel will monitor the resolved cases and analyze those firms obtaining the best results at the lowest costs and those will be the firms to continue to receive referrals from the County.

4) **LEGAL EXPENSES PAID:** County Counsel will monitor the average expenses (including expert witness fees) paid out on litigated files and will take all efforts to reduce the expenses related to litigation.

As previously stated, one major qualifier to all of the above is that I am still developing my first year base line data information. I currently have data from July 1, 2003 through March 31, 2004. By June 30, 2004 I will be able to assemble a base year of information to be able to calculate the average duration, indemnity, legal fees and expenses. (I will need until August 15th to complete this project.) However, understanding that the Board needs to monitor litigation costs immediately, comparing the quarterly results occurring in 2004/2005 with the annual results so far developed in fiscal year 2003/2004 will provide a minimal basis to gauge the results of litigation management or at least to be able to identify indications in litigation management and the effect on County costs.

Starting with the new fiscal year on July 1, 2004 through the first quarter ending on September 30, 2004, I will be able to calculate the average duration, indemnity, legal fees, and expenses for the first quarter 2004/2005 and compare those results to the averages for fiscal year 2003/2004. However, I will not know the results until after collecting and analyzing the first quarter figures for 2004/2005, to be completed by November 15, 2004.

If you need further clarification regarding any item contained in this proposal, please contact me. This system has proven to be very effective in the reduction of litigation costs in my years of experience. I have submitted under separate cover my Litigation Report for the Third Quarter 2003/2004 that sets forth the data base and fields for many of these measurements.

If you have any questions concerning this matter please contact me at 213-974-1822.

REN

c: Donovan Main
Rocky Armfield